UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/EST/1
28 February 1997

ORIGINAL: ENGLISH

Annual session 1997
12-23 May 1997, New York
Item 9 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR ESTONIA (1997-1999)

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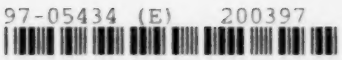

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INTRODUCTION

1. Estonia joined the United Nations on 17 September 1991, less than one month after regaining independence. A UNDP office was opened in Tallinn in May 1993, with the appointment of the first Resident Representative and United Nations Resident Coordinator. A short-term country framework guided UNDP activities in Estonia until the first country programme was approved by the Executive Board in April 1995.

2. The first country cooperation framework (CCF) for Estonia, which covers the period 1997-1999, reflects the Government's development priorities, based on the current situation in the country. It takes into account the UNDP global mandate to promote sustainable human development, particularly for the improvement of quality of life of the most vulnerable groups in society, with special emphasis on improving opportunities for women to participate in Estonia's development process.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. Estonia's economic transition included the twofold challenge of managing the transformation from a centrally planned to a market economy, while at the same time adjusting to considerable external shocks, such as an increase in energy prices and the loss of traditional markets in the republics of the former Soviet Union. While this initially led to sharp decreases in output, employment and real wages, causing an immediate decline in living standards, real output started to recover in late 1993, and positive economic growth rates have been recorded for both 1994 and 1995.

4. As a result of the Government's policies on income distribution and social welfare, which emphasize increased efficiency and the reduction of macroeconomic imbalances, the country has achieved remarkable results in a relatively short period of time. A decrease in the rate of inflation to an estimated 25 per cent, an increase in average real monthly wages of some 40 per cent, strong growth in exports to western markets and a considerable flow of direct foreign investment have all played important roles in reversing the negative growth trends of the early stages of the transition. A stable and fully convertible currency, the kroon, and extremely conservative fiscal policies, which, by law, require balanced State budgets, have also contributed to international confidence in Estonia's future.

5. Nevertheless, Estonia still faces considerable challenges in its efforts to create a just and equitable environment for the self-realization of its residents - citizens and non-citizens alike. With respect to the UNDP priority areas of focus for sustainable human development, the situation in Estonia is summarized below.

Governance

6. Estonia began the process of restructuring public sector management immediately after regaining its independence. The main task has been redrafting basic legislation. Although this process will continue for the foreseeable future, it may be said that a basic legal framework exists. Building national capacity, developing human resources and forming a civil service structure have been equally important goals. Decentralization and delegation of decision-making to the local-authority level continues to be an integral part of the process. In order to guarantee the efficient functioning of all governing structures, considerable investment in human resource capacity-building and information technology will be necessary. Special efforts will be made to involve civil organizations in decision-making processes at both the national and local levels, to foster further democratic development.

Poverty eradication

7. The social safety net has played a very important role in Estonia. In the third quarter of 1995, cash benefits accounted for 55 per cent of household income for the poorest 10 per cent of the population. Officially, 10 per cent of inhabitants fall below the poverty line. But according to the 1996 national human development report, poverty is significantly more widespread. Moreover, inequality in the distribution of wealth, as measured by the Gini coefficient, has become a critical issue. With UNDP assistance, the Government is addressing the issues of poverty and economic imbalances, focusing on the development of a national action plan as well as public awareness and participation in creating a sound socio-economic environment for all residents. Joint activities with the World Bank are being designed, focusing on policy issues.

Employment

8. Explosive unemployment has not been a major factor in Estonia's transition. The first unemployed in Estonia were registered in 1991. However, the unemployment rate takes into account only those officially registered as unemployed, thus leaving out a large number of people who do not meet registration criteria. According to the data provided by the National Labour Market Board, the unemployment rate was estimated at 5 per cent in 1995.

9. There are considerable regional differences in the unemployment rate. The reasons for this lay partly in the collapse of Soviet State-run companies. In addition, impact and results of the privatization process have varied from region to region. The Government has started to address these issues, but a more focused approach is needed. There is a need to work on long-term perspectives and strategies, as well as changes in attitudes. It has become apparent that market forces alone will not be able to ensure sustainable livelihoods for the Estonian people. The Government intends to develop more aggressive labour policies in the future.

Gender

10. There is a need to develop mechanisms to address gender issues at the national level. Although public awareness about the subject has increased in the recent past, a national policy is yet to be prepared. In addition, there is a need to increase the number of women at decision-making levels.

11. According to data from a Gender Analysis Unit established and supported by UNDP at the University of Tartu, in 1993, 53.3 per cent of the population were women, the total fertility rate was 1.45, and female life expectancy was 73.8 years (compared to 75 years in 1992). According to 1994 data from the same Unit, 51 per cent of the workforce were women, 5 per cent of them managers, 45 per cent specialists and 23 per cent public servants (officials and service providers). The 1995 national report prepared with support from UNDP for the Fourth World Conference on Women activated researchers and women's organizations and made it possible for a group of interested officials and representatives of non-governmental organizations (NGOs) to be formed to address gender issues at a deeper level.

Environment and the sustainability of natural resources

12. In Estonia, the principles of environmental protection and sustainable human development have not yet been actively embraced by a significant proportion of the population, although a few dedicated groups have taken an interest in the concept. However, in February 1995, the Estonian Parliament adopted the Act on Sustainable Development, which emphasizes the need to take into account environmental considerations in spatial planning and industrial development. UNDP support activities helped to shape the content of this important decision.

13. As Estonia faces the challenge of redesigning its socio-economic system, a unique opportunity exists to incorporate the principles of sustainable development into the basis of the new structure and as an integral component of all development plans.

II. RESULTS AND LESSONS OF PAST COOPERATION

14. The first country programme for Estonia covered the period 1993-1996. During the period covered, the Government and UNDP developed an understanding of each other's strengths and weaknesses. All other major donors had been active in the country and had established a presence two years earlier, in 1991. These factors contributed to a somewhat ad hoc approach to the first UNDP interventions in the country.

15. Nevertheless, the Government recognized that the United Nations system had a clear role to play as a partner in Estonia's efforts to re-establish its ties with the international community. Thus, three broad areas of cooperation were identified, namely: administrative reform and governance; economic strategies and policies; and the social impact of transition.

16. A comprehensive review of the first country programme has confirmed that, despite limited resources, UNDP has been able to make a considerable contribution in strengthening the capacity of several government departments. These interventions have enabled the Government to respond to a number of critical issues, promoting economic, social and democratic development of the country.

17. Specifically, UNDP supported Estonia's efforts to regularize the legal status of a large number of non-Estonians residing in the country, by establishing a transparent and efficient process for handling applications for residence permits. This effort attracted substantial cost-sharing resources from the Governments of Denmark, Finland, Norway, Sweden and Switzerland.

18. Furthermore, UNDP supported activities aimed at increasing the level of awareness of the concept and principles of sustainable human development, primarily through the publication of annual national human development reports, but also through direct support to NGOs, gender programmes and sustainable livelihoods.

19. Estonia's transition during the past five years has by all accounts been successful. A wealth of experience has been gained and the Government is ready to consider making the country's expertise available to countries that are at an earlier stage in the transition process. Estonia will continue to seek ways to prepare for its role as an emerging donor.

20. As a result of the experiences gained in the first country programme, the Government supports the conclusion reached by UNDP that its interventions would have a greater impact through a more determined use of the programme approach. Thus, it is hoped that the concept of national programmes as opposed to national projects will become a tool for a more judicious allocation of both national and external resources.

III. PROPOSED STRATEGY AND THEMATIC AREAS

21. In light of the Government's priorities and the capacities of UNDP and other organizations in the United Nations system to support them, the Government of Estonia views support from the United Nations system as a significant dimension of its development efforts. Taking into account the considerable level of external support available to Estonia through bilateral donor sources, the European Union and international financial institutions, under the first CCF, UNDP will cooperate with the Government in the following areas: (a) democracy and governance and (b) alleviating the social impact of the transition.

A. Democracy and governance

Support to the National Integration Programme

22. A particularly complex problem for the country is the economic and social integration of a large, non-Estonian population. While several international

missions have confirmed that Estonia is treating its non-citizens in an entirely acceptable manner from the viewpoint of human rights, it is clear that successful democratization in Estonia will require the participation of all its permanent residents in shaping the nation's economic and social future. It is the opinion of the Government that UNDP and the United Nations system in general are well-positioned to help the Government to meet this challenge by supporting the development of a national integration strategy, as well as providing direct assistance for its implementation.

Support for capacity-building in civil society organizations

23. The Government of Estonia recognizes fully that its citizens will play an increasingly important role in shaping a democratic society. Moreover, the Government would like to take advantage of the potential contributions of civil society organizations, particularly in promoting the development of the social sector. Support will be provided for the development of a national NGO network. In addition, the focus on gender-in-development issues will be maintained, through the provision of support to the Gender Analysis Unit at the University of Tartu.

Support to citizen's registration

24. The Government has requested that UNDP continue its support to central State agencies such as the Estonian Citizenship and Migration Board and the State Computing Centre, to ensure that the necessary central databases and registers are fully established and functioning, in accordance with European Union standards. The Government of Finland has expressed an interest in collaborating with UNDP, particularly in providing support for the Estonian Citizenship and Migration Board. The Government has also requested that UNDP continue its support in building capacity at the municipal and local council levels, using as a vehicle the preparation of community-level Agenda 21s.

25. The Government has also decided to establish a national monitoring and evaluation unit in the Ministry of Finance and counts on UNDP to bring its experience to this new initiative.

B. Alleviation of the social impact of transition

26. UNDP has helped to increase public awareness of the social impact of the transition through the annual publication of the national human development report. The report has received favourable responses from all segments of society. It has provided the grounds for public discussions and is widely used as teaching material in universities and other institutions of higher education. Thus, the report will continue to be published on an annual basis, with financial support and substantive input from UNDP.

Support to the National Social Reform Programme

27. The Government of Estonia has established an interministerial committee to review the main recommendations of the various United Nations global conferences and to prepare proposals for follow-up actions. UNDP will provide support for

this process, particularly for the development of strategies to combat poverty and social exclusion. This will include providing direct support for the Government's National Social Reform Programme.

Support for information technology in schools

28. UNDP will assist the Government in a major initiative, the National Programme for the Computerization of Education in Estonia, which aims at providing every school in Estonia with access to modern information technology, as well as access to the Internet. In addition, the Government has requested that UNDP continue its support for curriculum development, including the editing and publishing of teaching materials on global concerns and concepts of human development.

Support for gender in development

29. Gender-mainstreaming is now recognized by the Government as an issue that needs to be addressed at the national level, with UNDP support for the preparation of a national framework for Estonia, based on the recommendations of the Fourth World Conference on Women. A decision has been made to establish a Gender-Equality Bureau at the Ministry of Social Affairs, which will serve as a Gender-in-Development Unit, complementing the Gender Analysis Unit at the University of Tartu and a Women's Studies Unit at Tallinn Pedagogic University. Through these centres, UNDP has been requested to continue to work with several NGOs on gender-in-development issues.

Support for a sustainable development strategy

30. In February 1995, the Estonian Parliament passed the Act on Sustainable Development, which called for the establishment of a National Commission on Sustainable Development. The Commission would advise the Government on major public investment programmes, to ensure their sustainability from both an environmental and economic point of view. In this context, the Government has expressed serious interest in formulating a national response to the Baltic Agenda 21, which was promulgated at the summit of Baltic Prime Ministers in Visby, Sweden, in May 1996. UNDP, with additional funds from Capacity 21, will play a crucial role in operationalizing the National Commission on Sustainable Development and assisting in developing an Estonian Agenda 21.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

31. National execution will continue to be the preferred modality for executing UNDP-supported projects and programmes in Estonia. Support from United Nations specialized agencies will be sought as necessary.

32. The programme approach will be used to increase the impact of UNDP and United Nations system cooperation. Priority will be given to assisting the Government in the formulation and implementation of national programmes. These would serve as the primary conceptual framework for the design of UNDP support,

the mobilization of national and external resources, the coordination of donor support, and project implementation, monitoring and evaluation.

Monitoring review and reporting

33. Projects will be reviewed to ensure that goals and objectives are clear and result-oriented. Progress reports and bi- or tripartite reviews of each project will be undertaken in accordance with UNDP rules and regulations. Formal evaluations of project impact will be undertaken as necessary. Benchmarks and success indicators will be identified for each national programme and project, in order to facilitate the monitoring and evaluation of impact.

Resource mobilization

34. Given the limited UNDP core resources available, particular attention will be given to the mobilization of additional resources to support Government/UNDP initiatives in the country. In addition, special efforts will be made to encourage donors to increase their contributions to the Baltic Trust Fund and to provide third-party cost-sharing resources to complement UNDP support to selected national programmes, such as the programme for the integration of the non-Estonian population.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ESTONIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	-	
TRAC 1.1.1	95	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	660	In line with decision 95/23, paragraph 19.
SPPD/STS[a]	105	
Subtotal	860[b]	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	150	Capacity 21
Third-party cost-sharing	1 500	
Funds, trust funds and other	1 150 of which:	
Baltic Trust Fund	1 000	
Poverty Alleviation Trust Fund	150	
Subtotal	2 800	
GRAND TOTAL	3 660[b]	

[a] Tentative SPPD/STS targets are established as a fixed percentage of potential TRAC resources, including "other resources" for Europe and the Commonwealth of Independent States. The amount shown is higher than these targets owing to the need for such support and other country-specific factors.

[b] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.